

U. S. TREASURY DEPARTMENT
INTERNAL REVENUE SERVICE
WASHINGTON 25, D. C.

Alcohol and Tobacco Tax Division
Industry Circular No. 55-10

May 6, 1955

Compliance with Distilled Spirits Bottling Standards

Rectifiers, proprietors of taxpaid bottling
houses and others concerned:

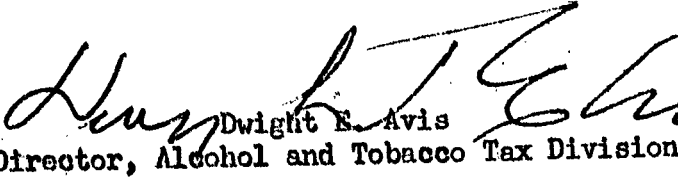
1. Representations have been made that some proprietors of rectifying plants and taxpaid bottling houses have adopted practices since September 1, 1954, when storekeeper-gauger supervision at bottling premises was curtailed, which have resulted in unwarranted discrepancies between actual and labeled proof and fill of bottled distilled spirits. The alleged condition is presently being investigated by this Division in order that it may be determined whether such representations have any basis of fact.
2. It is recognized that bottling plants normally experience losses between bottling tank gauges and case yields and that plant managers are constantly attempting to maintain good production records. Where proprietors, or their managers, resort to the shading of fill or proof, or both, normal losses are improperly reduced, or even become gains in some cases. These practices cannot be condoned, as they do not comply with legitimate bottling standards and must be scrupulously avoided.
3. All of you are aware of the efforts of this Division to modernize and simplify the system of Governmental regulation of the liquor industry, whereby supervision of operations nonessential to the protection of the revenue and the safeguarding of consumers' interest would be eliminated or drastically modified, so as to afford industry the opportunity to achieve with minimum impediment a greater amount of latitude in the scheduling of its work and to adapt its operations in conformity with modern technological developments and business methods. The evolution of this program, of necessity, has imposed a greater degree of responsibility upon industry management for conducting its operations in accordance with law and regulations. The manner in which proprietors discharge their new responsibility will determine the extent to which the liquor industry may expect a further relaxation of Governmental restrictions in the future.
4. We are presently engaged in formulating a proposed over-all revision of the Internal Revenue laws pertaining to distilled spirits. The concept of the proposed revision program is based upon the theory that the Federal Government should concern itself primarily with the collection of taxes and the protection of the revenue, and that Government supervision of distilled spirits' operations should be

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directed to those objectives, thus permitting an even greater freedom of industry operations provided proprietors assume a proportionate responsibility in maintaining and protecting the revenue. Accordingly, if we are to achieve the basic purposes of the proposed legislative program and gain therefrom the mutual advantages which would accrue to Government and industry, this would be a most inopportune time for industry to attempt to take undue advantage of the relaxation of supervisory controls already effectuated, or to conduct itself in a manner inconsistent with the added responsibilities which it must assume and satisfactorily discharge. In other words, the industry must show that it has the desire and ability to discipline itself and to discharge its obligations in a manner demanded by good business practices and public acceptance.

5. If our investigations disclose conditions which require corrective action, you may rest assured that vigorous steps will be taken to remedy any questionable situation. It is hoped that proprietors, if any, who may have resorted to questionable practices will take immediate steps to set their houses in order, and that this Division will not be forced to restore measures of control which would be a backward step in the program which promises so much of benefit to both Government and industry.

6. Inquiries concerning this industry circular should refer to the number thereof and to the symbols O:AT:PPT.


Dwight E. Avis
Director, Alcohol and Tobacco Tax Division